

ARCO Oil and Gas Company
Central District
Post Office Box 1610
Midland, Texas 79702
Telephone 915 688 5200
November 19, 1986

EXHIBIT 9



Meridian Oil, Inc.
P. O. Box 4289
Farmington, New Mexico 87499

Attn: Mr. Don Read

On 11/2/87: Don Read and Randy Limbocker,
both of Meridian, verbally
advised ARCO that Meridian
had no objections.

Fred J. Tim...

RE: Spacing Exception, Chacon Federal #102, Section 19, T24N, R3W,
Rio Arriba County, New Mexico

Dear Mr. Read:

ARCO Oil and Gas Company, a Division of the Atlantic Richfield Company, is currently seeking a spacing exception in the development of its Chacon Federal lease in the West Lindrith Field in Rio Arriba County New Mexico. The subject well, the Chacon Federal #102, is planned as a 7450' Dakota producer, the second Dakota well in the 191.55 acre proration unit in the N/2 of Section 19, T24N, R3W. (Note that this section is a short section, so the proration unit includes the NE/4 of the section and Lots 1,2,3, and 4.)

The proposed well location deviates from Rule 4, WEST LINDRITH GALLUP-DAKOTA OIL POOL RULES, which states "Each well shall be located no... nearer than 660 feet to the nearest well drilling to or capable of producing from the same pool" (R. W. Byram & Co., June, 1972.) The proposed location for the Chacon Federal #102 is 275' from ARCO's Chacon Federal #101 well, a Gallup producer. Although the industry generally recognizes the Dakota Formation as being distinctly separate from the Gallup Formation, State Rule 4 classifies the two (2) formations as the same pool or as having the same basal source. Thus, a spacing exception will be necessary. A map is attached showing the wells (existing and proposed) in the subject proration unit.

As part of the application to the State of New Mexico for this spacing exception, I am contacting the Leasees of Record whose acreage borders this 191.55 acre proration unit. Meridian Oil borders the ARCO acreage in the SW/4 of Section 20, T24N, R3W, Rio Arriba Co.

Please call me at (915)688-5675 with any questions or concerns. An exception hearing is scheduled for December 17, 1986 in Santa Fe.

Very truly yours,

Sandy Stash
Sandy Stash
Drilling Engineer *KOK DEL*

Enclosures

ARCO Oil and Gas Company
Permian District
Post Office Box 1610
Midland, Texas 79702
Telephone 915 684 0100

Santa Fe
915-684-5675



November 19, 1986

State of New Mexico Oil Conservation Division
Box 2088
Santa Fe, New Mexico 87501
Attn: Mr. Mike Stogner

Case 9061

State of New Mexico Oil Conservation Division
1000 Rio Brazos Road
Aztec, New Mexico 87410
Attn: Mr. Ernie Busch

NE/4 110.00
1 - 15.76
2 - 15.79
191.55

RE: Spacing Exception, Chacon Federal #102, Section 19, T24N, R3W,
Rio Arriba County, New Mexico

Gentlemen:

Per our telephone conversations and by way of this letter and supporting surveyor's certified plat, ARCO Oil and Gas Company, a Division of the Atlantic Richfield Company, wishes to initiate the application procedure for a spacing exception for the subject well. The proposed well location deviates from Rule 4, WEST LINDRITH GALLUP-DAKOTA OIL POOL RULES, which states the following: "Each well shall be located no...nearer than 660 feet to the nearest well drilling to or capable of producing from the same pool." (R. W. Byram & Co., June, 1972.) The proposed location for the Chacon Federal #102 well is 275 feet from ARCO's Chacon Federal #101 well, a Gallup producer.

The proposed Chacon Federal #102 well would be the second Dakota well in the 191.55 acre proration unit; the first being the Chacon #8, located in the SW/4 NE/4 of Section 19. The Chacon Federal #102 would be drilled in lieu of deepening the Chacon Federal #101 well to the Dakota Formation. The deepening option is economically and operationally infeasible because of limited clearance 5-1/2" production casing in the existing well. A reservoir study of the area indicates that the single Dakota well in the proration unit will leave significant volumes of recoverable hydrocarbon reserves at ultimate recovery. Thus, the drilling of a second Dakota well will more economically recover reserves which would otherwise remain undrained.

The reservoir study further indicates that the optimal location for this second Dakota well is the location proposed, 900' FNL and 990' FEL in Section 19. This location will prevent economic waste and protect correlative rights in the Dakota.

Enclosed, please find a map of the proration unit indicating the existing and proposed wells in the proration unit. Also, copies of ARCO's correspondence with offsetting operators are enclosed for your review and records.

This well is under the jurisdiction of the Bureau of Land Management,
and an Application for Permit to Drill has been filed in thier
Farmington Resource Area office.

Please call me at (915)688-5675 or (915)682-5375 with any questions or
concerns.

I appreciate your help in this matter, and I look forward to seeing you
December 17th.

Very truly yours,


Sandy M. Stash
Drilling Engineer

EDK
JEL

Enclosures